Order 2003-12-1

UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the **1st day of December, 2003**

Essential Air Service at **MOAB, UTAH** **VERNAL, UTAH** under 49 U.S.C. 41731 *et seq.*

Served: December 3, 2003
Dockets OST-1997-2827
OST-1997-2706

ORDER SELECTING CARRIER AND SETTING FINAL RATES

Summary

By this order, the Department is selecting Mountain Bird, Inc., d/b/a Salmon Air, to provide essential air service at Moab and Vernal, Utah, for a two-year period at annual subsidy rates of $674,804 and $595,436, respectively.

Background

By Order 2001-3-20, issued March 16, 2001, the Department selected Great Lakes Aviation, Ltd (Great Lakes) to provide essential air service (EAS) at Moab and Vernal, conditionally for a two-year period. Subsidy rates were set for only one year, with the second year to be negotiated based on the first year's results.[1]

Subsidy for service at Moab was set at an annual rate of $971,444 for a one-year period for 12 nonstop round trips each week to Denver, year-round, with 19-seat Beech 1900D aircraft.

Subsidy for service at Vernal was set at an annual rate of $1,102,967, for a one-year period for 18 nonstop round trips each week to Denver, year-round, with 19-seat Beech 1900D aircraft.

As a result of the terrorist attacks of September 11, 2001, the Department issued Order 2002-2-13, February 15, 2002, authorizing increases in subsidy rates for Great Lakes (and all subsidized EAS carriers), subject to retroactive adjustment to

[1] See Appendix A for a map.

October 1, 2001. Great Lakes' adjusted annual rate for Moab is $1,109,444, and the rate for Vernal is $1,413,464.[2]

Carrier Proposals

Because we became aware of another carrier interested in providing essential air service at Moab and Vernal, and in order to give the communities the widest range of options, we decided to request proposals from all interested carriers for new two-year rate terms.[3]

In response to our request, we received proposals from Great Lakes and four other carriers -- Air Midwest, Inc., Scenic Airlines, Inc., Arizona Express, Inc. and Salmon Air.

The Department is precluded by section 332 of Public Law 106-69 from paying subsidy for EAS at any community where the subsidy-per-passenger is in excess of $200, unless the community is more than 210 highway miles from a large or medium hub. In the case of Vernal, it is less than 210 highway miles from Salt Lake City and, thus, is subject to this statutory cap.[4] We have therefore limited our consideration to proposals that are selectable, i.e., those proposals that are below the statutory $200 cap for Vernal, both for Vernal-only proposals and for Vernal-Moab combined service. Below are brief summaries of Moab-only proposals and those proposals for service to Vernal that are below the $200 subsidy-per-passenger cap. Appendix B lists all of the proposals submitted, including those proposing service to Vernal in excess of the $200 cap.[5]

Moab-only:

> Great Lakes Option 1: 12 nonstop round trips each week between Moab and Denver with 19-seat, twin engine, turbine-powered, Beech 1900D aircraft. Total annual subsidy for this option would be $1,268,445.
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> Great Lakes Option 2: 12 one-stop round trips each week between Moab and Denver, with 9 -seat, twin-engine, turbine-powered, Beech 1900D aircraft. The carrier proposes to make an intermediate stop on each flight at Grand Junction, but also states that the intermediate stop may be changed to Vail/Eagle, Gunnison or Montrose. Total annual subsidy for this option would be $937,797.

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[2] By Order 2002-7-20, July 11, 2002, the Department extended the subsidy rates for Great Lakes' service at Vernal and Moab until further action.

[3] By Order 2002-10-32, October 23, 2002, the Department requested proposals for essential air service at Moab and Vernal, and at Page, Arizona. However, at the request of the Arizona Department of Transportation, action on EAS for Page was deferred until further notice. (See Order 2003-6-30, June 20, 2003.)

[4] Moab, on the other hand, is not within 210 miles of a large or medium hub and, thus, is not subject to the $200 cap.

[5] Scenic's Option 2, Salmon Air's Options 5, 7, and 8, Arizona Express's Options 1 and 2, both of Air Midwest's options, and Great Lakes' Options 3, 4, 5, 6, and 7, all exceed the $200 per-passenger limit for Vernal. In making this calculation, we relied upon the number of passengers transported by Great Lakes to and from Vernal during the 12-month period ended June 30, 2003.

Scenic Airlines Option 1: 6 nonstop round trips each week between Moab and Salt Lake City, and 6 nonstop round trips each week between Moab and Las Vegas, with 19-seat, twin-engine, turbine-powered, Beech 1900C aircraft. Total annual subsidy for this service would be $1,492,169.

Salmon Air Option 1: 12 nonstop round trips each week between Moab and Salt Lake City with 9-seat, single-engine, turbine-powered, Cessna 208 Caravan aircraft. Total annual subsidy for this service would be $890,509.

Salmon Air Option 2: 12 nonstop round trips each week between Moab and Salt Lake City with 8-seat, twin-engine, reciprocating-powered, Piper PA-31 Chieftain aircraft. Total annual subsidy for this option would be $674,804.

Salmon Air Option 3: 19 nonstop round trips each week between Moab and Salt Lake City with 9-seat, single-engine, turbine-powered, Cessna 208 Caravan aircraft. Total annual subsidy for this service would be $1,260,888.

Salmon Air Option 4: 19 nonstop round trips each week between Moab and Salt Lake City with 8-seat, twin-engine, reciprocating-powered, Piper PA-31 Chieftain aircraft. Total annual subsidy for this option would be $1,025,774.

Vernal-only

Salmon Air Option 6: 12 nonstop round trips each week between Vernal and Salt Lake City with 8-seat, twin-engine, reciprocating-powered, Piper PA-31 Chieftain aircraft. Total annual subsidy for this option would be $595,436.

Moab and Vernal combination:

Salmon Air Option 9: 12 flights each week routed Moab-Vernal-Salt Lake City-Vernal-Moab, plus one additional flight each weekday during the 26-week peak season, April-September, routed Moab-Salt Lake City-Moab, with 9-seat, single-engine, turbine-powered, Cessna 208 Caravan aircraft. Total annual subsidy for this option would be $1,067,617.

Salmon Air Option 10: 12 flights each week routed Moab-Vernal-Salt Lake City-Vernal-Moab, plus one additional flight each weekday during the 26-week peak season, April-September, routed Moab-Salt Lake City-Moab, with 8-seat, twin-engine, reciprocating-powered, Piper PA-31 Chieftain aircraft. Total annual subsidy for this option would be $829,218.

Arizona Express Option 3: 2 one-stop (at Vernal) round trips each weekday between Moab and Salt Lake City, 2 nonstop round trips each weekday between Vernal and Salt Lake City, 1 nonstop round trip each weekday between Moab and Denver, and

1 flight each weekend day routed Moab-Vernal-Salt Lake City-Vernal-Moab-Denver-Moab, with 9-seat, twin-engine, turbine-powered, Beech 1900 aircraft. Total annual subsidy for this option would be $1,938,109.

Community Comments

On August 8, 2003, we sent letters to the mayors of Moab and Vernal, and to the County Councils of Grand County (Moab) and Uintah County (Vernal), summarizing all of the proposals submitted, and requesting their comments on the carrier-selection decision. Although all of the proposals were listed in the letter, we identified the proposals where the per-passenger subsidy for Vernal was above $200, and of the statutory prohibition against our selection of such proposals. In response to our letter, comments were submitted by the Vernal/Uintah County Airport Board, the Uintah County-Vernal City Economic Development Office, the Uintah County Commissioners, and the Grand County Council.

The Vernal/Uintah County Airport Board supports the selection of Air Midwest's Option 1 that provides Vernal with twelve weekly nonstop flights to Salt Lake City and six weekly nonstop flights to Denver with 19-seat B-1900 aircraft. The Board is aware that this option exceeds the $200 per-passenger limit, but states that it would be more realistic for the Department to use SkyWest's historical traffic to Salt Lake City than to use Great Lakes' most recent traffic to Denver. For example, the Board states that by using the last seven year average for SkyWest's service to Salt Lake City, average annual enplanements would be 8,978, and would result in a subsidy-per-passenger rate of $124, well below the $200 limit. The Board also states that eight or nine seats twice a day (as offered in some of the proposals) would not provide Vernal with the needed capacity, especially if the service is combined with service to Moab. The Board further states that with service to Salt Lake City, and especially with service to Salt Lake City and Denver, good advertising, and a good schedule, passenger loads would increase back to and most likely surpass the historical loads.

The Board also states that, if the proposals in excess of $200 per passenger cannot be selected, then it supports the selection of Arizona Express's Option 3. This option would provide Vernal with nonstop service to Salt Lake City (preferred by the large majority of passengers) and limited service to Denver, on multi-engine, turboprop, pressurized aircraft, well suited for the flights proposed in this option, and would provide passengers with more comfort and confidence than would (Salmon Air's) Piper PA-31 Chieftain aircraft. Further, the Board states that, under this option, the aircraft would overnight in Moab resulting in less deicing for the aircraft and thus more "on-time" service. It would also give Moab an economic stimulus by having the aircraft based at that community. Finally, the Board states that it would be willing to waive the requirement of service with 15-seat aircraft in this instance in order to continue service at Vernal in this proceeding, but it would not waive this requirement for future selections.

The Uintah County-Vernal City Economic Development Office and the Uintah County Commissioners both submitted comments supporting the position set forth by the Vernal/Uintah County Airport Board, especially its position that the Department should rely on SkyWest's historical traffic to Salt Lake City rather than Great Lakes' more recent traffic to Denver in making its decision. The Economic Development Office also stresses the importance of the reinstitution of service to Salt Lake City, stating that the average resident in the Vernal area has many ties to Salt Lake City and that Delta Air Lines has a major hub at the Salt Lake airport that the majority of Utah citizens use when booking vacations and other travel needs.

The Grand County Council supports the selection of Air Midwest's Option 1 as its first choice, Scenic Airlines' Option 1 as its second choice, and Great Lakes' Option 1 as its third choice. The Council states that it has a distinct preference for service to Salt Lake City, rather than Denver, and believes that traffic demand in the Moab-Salt Lake City market requires the use of a 19-seat aircraft. The council notes that Salt Lake City is an important Delta Air Lines hub and provides excellent access for the Moab region to the entire national transportation system. They also note that several low-cost carriers--JetBlue, Southwest and America West--provide service to Salt Lake and help spur competition, keep prices down, and generate more traffic. The Council states that the Department should use historical traffic data for service to Salt Lake City, rather than to Denver, in making its subsidy-per-passenger calculations. Traffic data to Denver, according to the Council, is not an accurate comparison to the proposed service to Salt Lake City, given the lower demand for service to Denver. Using the historical data for Salt Lake City service would allow the Department to consider many of the service proposals that are otherwise precluded from consideration because of the $200 subsidy-per-passenger limitation, including the Air Midwest proposal favored by both Moab and Vernal.

On October 22, at their request, members of the Uintah County Council and the manager of the Vernal/Uintah County Airport met with Department staff, and representatives from the Washington offices of Senators Hatch and Bennett and Congressman Matheson. The purpose of the meeting was to stress the importance that the County places on restoring service in the Vernal-Salt Lake City market and to once again urge the Department to rely on SkyWest's historical enplanement data for Vernal rather Great Lakes's most recent Denver enplanements when making its subsidy-per-passenger calculations. The Uintah parties also stated their desire to have service provided with pressurized, twin-engine, two-pilot aircraft, operated by a financially-sound, reliable air carrier. They further stated that in order for the service to be viable, it must consist of at least three round trips a day with aircraft having at least 15 available seats. Service operated with 8- or 9-seat aircraft would not provide a sufficient number of seats to accommodate Vernal traffic if the service is shared with Moab.

Selection Decision

After careful consideration of this matter, including the comments of the communities, we have decided to select Salmon Air to provide essential air service at both Vernal and Moab in accordance with the carrier's Option 2 for Moab and Option 6 for Vernal. Both of these options provide twelve weekly nonstop round trips to Salt Lake City with twin-engine, 8-seat, Piper PA-31 Chieftain aircraft. As noted above, the community of Vernal has agreed to waive its guarantee of service with 15-seat aircraft in order to remain in the program. We find that the respective service and annual subsidy levels of $595,436 for Vernal and $674,804 for Moab appear reasonable.

We base our selection decision on several factors. We are prohibited by statute from subsidizing air service at communities that are within 210 miles of a large or medium hub and where the subsidy exceeds $200 per passenger. We do not have the discretion to waive this standard set by Congress for continued subsidy eligibility. We are thus required to consider only those proposals where the per-passenger amount is below that statutory cap. Furthermore, it is the Department's longstanding program policy to base subsidy-per-passenger calculations on actual traffic generated by the community, and we believe that the most recent traffic data available is the best indicator of current passenger demand. We thus do not agree with the communities' arguments that more distant historical traffic should be used as the standard on which to base our per-passenger calculations. The communities' arguments that we rely on older data as the basis for current per-passenger calculations are further belied by the significant events that have occurred in the period since Denver service was inaugurated by Great Lakes, resulting in a downturn in demand nationally. The argument that the decrease in traffic is solely the result of a switch in hubs from Salt Lake City to Denver is a conclusion that cannot be supported by the available evidence.

Choosing among the available options, we have selected the two options that we find will best meet the needs of both Vernal and Moab and will provide Vernal with the best opportunity to remain in the EAS program.

<u>Vernal</u>:
Of the four selectable options for Vernal, three are from Salmon Air and one is from Arizona Express. Arizona Express's Option 3 would provide Vernal with 12 nonstop round trips a week to Salt Lake City with a Beech 1900 aircraft configured for 9 seats. This option is linked with its selection at Moab, which would receive 12 one-stop (at Vernal) round trips a week to Salt Lake City and one nonstop round trip a day to Denver for a combined annual subsidy of $1,938,109.

Under Options 9 and 10, Salmon Air would provide 12 round trips a week routed Moab-Vernal-Salt Lake City-Vernal-Moab, plus one additional round trip on weekdays from April-September. Service under Option 9 would be provided with 9-seat, single-engine, turbine-powered, Cessna 208 aircraft at a combined annual subsidy rate of $1,067,617. Service under Option 10 would be provided with 8-seat, twin-engine, piston-powered, Piper PA-31 Chieftain aircraft at a combined annual subsidy rate of $829,218. Salmon Air's Option 6 would provide Vernal with 12 nonstop round trips a week to Salt Lake City with twin-engine Piper PA-31 Chieftain aircraft at an annual subsidy of $595,436, and that is the option that we will select. Salmon Air's Options 9 and 10 would serve Vernal and Moab on the same flights to Salt Lake City (as would Arizona Express's Option 3). We agree with the community, however, that sharing capacity with Moab on aircraft having only eight seats could result in insufficient seats to accommodate fully both Vernal and Moab passengers at certain times of the day. In addition, we are also concerned that, for Moab passengers, the circuity that would be involved in the one-stop service is considerable. The Moab-Salt Lake City distance is 183 nonstop miles, whereas the Moab-Vernal-Salt Lake City routing requires 248 miles, and probably an additional 45 minutes total trip time. While Arizona Express's Option 3 would also provide Moab with nonstop service to Denver, it would come with a price tag of $1,938,109 for combined Vernal and Moab service, considerably more than the combined price tag of the two Salmon Air services that we are selecting.

Moab:

There are seven options of Moab "stand-alone" service.[6] Scenic would provide one round trip a day each to Salt Lake City and Las Vegas with 19-seat Beech 1900 aircraft for an annual subsidy of $1,497,169. Great Lakes has options for two round trips a day to Denver with Beech 1900's, one for nonstop service and one for one-stop service, at annual subsidy rates of $1,268,445 and $937,797, respectively. Salmon Air has options for two and three round trips a day to Salt Lake City, each with a Cessna 208 and/or Piper Chieftain aircraft. Both of its three-round-trip-a-day options exceed $1,000,000. Its two-round-trip-a-day options require $890,509 for service with its pressurized, single-engine, turboprop Cessna Caravan, and $674,804 for service with its twin-engine, piston-powered, non-pressurized Piper Chieftain.

Moab has never generated significant passenger levels. In 2001 and 2002 Moab averaged fewer than five passenger enplanements per day, and in only one or two years since 1976 has it averaged more than five enplanements per day. Given that historical enplanement record, we cannot justify authorizing subsidy for 19-seat aircraft, nor for three round trips a day. Of Salmon Air's two-round-trip-a-day options, we will select the less expensive option. It will meet the community's EAS guarantee of service with twin-engine aircraft, and will provide the community with nonstop service to Salt Lake City. Although Moab does not explicitly support Salmon Air's proposals, the community does express a preference for a change in hub from its current Denver service to Salt Lake City service, which Salmon Air will provide. In addition, Salmon Air's eight-seat aircraft are far better suited to Moab's historical traffic levels than the larger 19-seat aircraft options that have been offered.

In summary, both communities will receive service to Salt Lake City, their preferred destination for local and connecting passengers, with a dedicated twin-engine aircraft. For both communities, that service will be on a nonstop basis, resulting in far shorter travel times for Moab passengers. Salt Lake City provides excellent access to the nation's air transportation system, is a hub for a major carrier, and also receives service from several low-fare carriers.

Carrier Fitness

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[6] Moab, unlike most EAS communities, is not ensured service with 15-seat or larger aircraft. 49 U.S.C. 41732(b)(3) guarantees EAS communities "…service provided in an aircraft with an effective capacity of at least 15 passengers if the average daily boardings at the place in any calendar year from 1976-1986 were more than 11 passengers.…" Moab never averaged 11 passenger enplanements a day during that period and, thus, is not guaranteed service with 15-seat aircraft.

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. Salmon Air is a commuter air carrier authorized to engage in scheduled passenger air transportation in accordance with Part 135 of the Federal Aviation Regulations. We last reviewed Salmon Air's fitness in Order 2002-7-9, July 9, 2002. Since that time, no information has come to our attention that would lead us to question the carrier's ability to operate in a reliable manner. The FAA has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that Salmon Air is fit. Based on the above, we find that Salmon Air is fit to provide the essential air transportation at issue in this case.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. The Department selects Mountain Bird, Inc., d/b/a Salmon Air, to provide essential air service at Vernal, Utah, and Moab, Utah, as described in Appendix C, for the two-year period beginning when the carrier commences service;

2. The Department sets the final rate of compensation for Mountain Bird, Inc., d/b/a Salmon Air, for the provision of essential air service at Vernal, Utah, as described in Appendix C, for the two-year period beginning when the carrier commences service, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible flights each way completed during the month by $477.11;

3. The Department sets the final rate of compensation for Mountain Bird, Inc., d/b/a Salmon Air, for the provision of essential air service at Moab, Utah, as described in Appendix C, for the two-year period beginning when the carrier commences service, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible flights each way completed during the month by $540.71;

4. We direct Mountain Bird, Inc., d/b/a Salmon Air, to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed, whichever comes first. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

5. We find that Mountain Bird, Inc., d/b/a Salmon Air, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Vernal, Utah, and Moab, Utah; and

6. We will serve a copy of this order on the mayors and airport managers of Vernal, and Moab; the Governor of Utah; the Utah Department of Transportation; Salmon Air, Great Lakes Aviation, Scenic Airlines, Air Midwest, and Arizona Express Airlines.

By:

MICHAEL W. REYNOLDS
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

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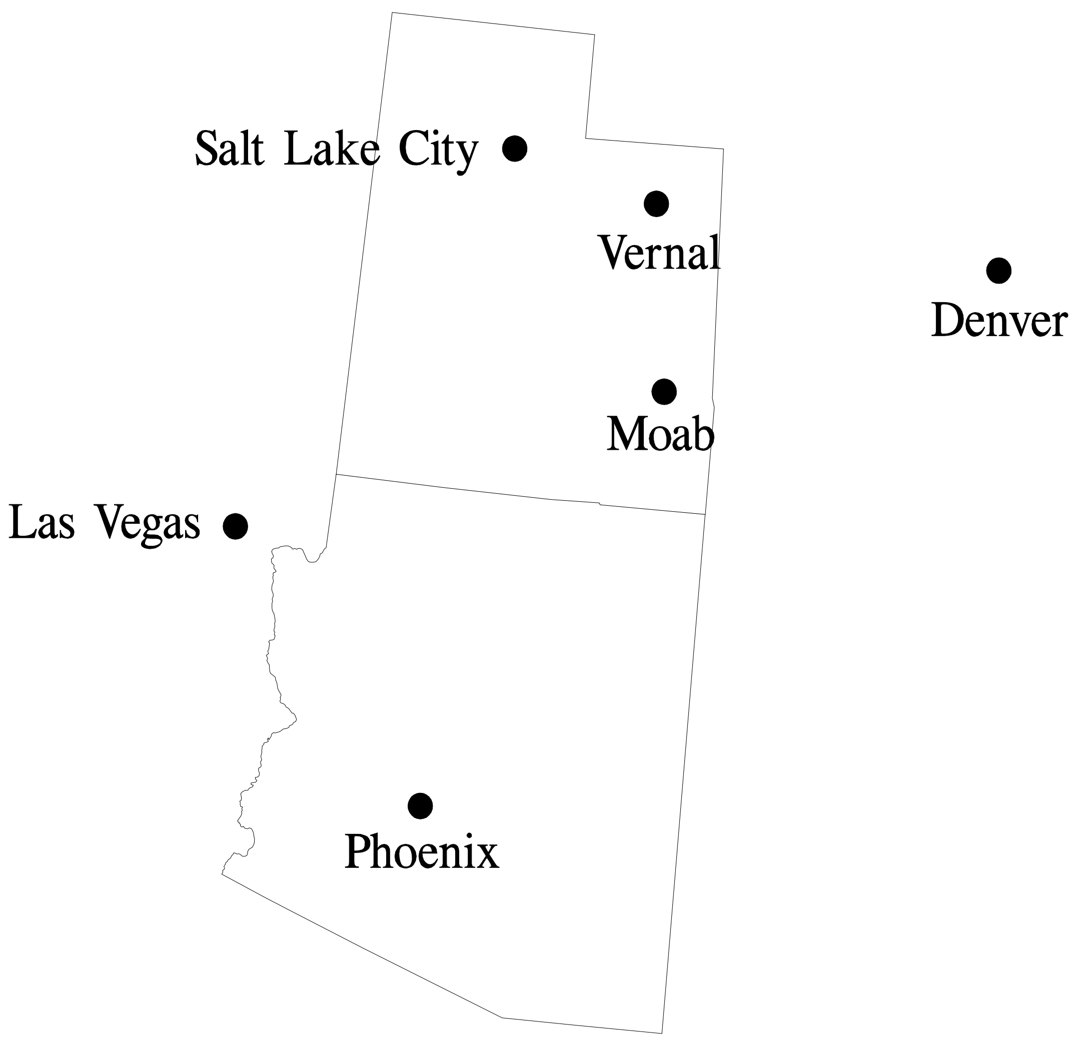
Appendix A

AREA MAP



Appendix B

Listing of All Proposals

Note: Shaded options are non-selectable because they exceed the $200 per passenger subsidy limitation for Vernal.

Carrier	Option	Subsidy	Service	# /wk	Aircraft
Great Lakes	1	$ 1,268,445	CNY-DEN	12 nonstop	B-1900D
	2	$937,797	CNY-DEN	12 one-stop	19-seat
	3	$1,753,877	VEL-DEN	18 nonstop	"
	4	$1,166,291	VEL-DEN	18 one-stop	"
	5	$1,268,921	VEL-DEN	5 n.s./13 o.s.	"
	6	$1,204,143	VEL-DEN	12 nonstop	"
	7	$931,147	VEL-DEN	12 one-stop	"
AZ Express	1	$1,776,289	CNY-SLC	5 n.s./7 o.s.	B-1900D
			VEL-SLC	17 nonstop	(9-seat)
	2	$1,603,655	CNY-SLC	10 n.s./2 o.s.	"
			VEL-SLC	12 nonstop	
	3	$1,938,109	CNY-SLC	12 one-stop	"
			CNY-DEN	7 nonstop	
			VEL-SLC	12 nonstop	
Salmon Air	1	$890,509	CNY-SLC	12 nonstop	Cessna 208
	2	$674,804	CNY-SLC	12 nonstop	Piper PA-31
	3	$1,260,888	CNY-SLC	19 nonstop	Cessna 208
	4	$1,025,774	CNY-SLC	19 nonstop	Piper PA-31
	5	$798,369	VEL-SLC	12 nonstop	Cessna 208
	6	$595,436	VEL-SLC	12 nonstop	Piper PA-31
	7	$1,140,851	VEL-SLC	19 nonstop	Cessna 208
	8	$910,292	VEL-SLC	19 nonstop	Piper PA-31
	9	$1,067,617	CNY-VEL-SLC	12/wk	Cessna 208
			CNY-SLC	5/wk Apr-Sep	
	10	$829,218	CNY-VEL-SLC	12/wk	Piper P*A-31
			CNY-SLC	5/wk Apr-Sep	
Scenic Airlines	1	$1,492,169	CNY-SLC	6 nonstop	B-1900C
			CNY-LAS	6 nonstop	19-seat
	2	$1,496,108	VEL-SLC	12 nonstop	"
Air Midwest	1	$2,220,141	CNY-SLC	12 nonstop	B-1900D
			VEL-SLC	12 nonstop	19-seat
			VEL-DEN	6 nonstop	
	2	$2,903,843	CNY-DEN	12 nonstop	"
			VEL-DEN	18 nonstop	

MOUNTAIN BIRD, INC., D/B/A SALMON AIR
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
VERNAL AND MOAB, UTAH

Effective Period:	Date of inauguration of service, through the end of the 24th month thereafter	
Service:	Vernal: Twelve nonstop round trips each week to Salt Lake City	
	Moab: Twelve nonstop round trips each week to Salt Lake City	
Aircraft:	Piper PA-31 Chieftain (8 passenger seats)	
Timing of Flights:	Flights must be well timed and well spaced to ensure full compensation.	
Subsidy Rate:	Vernal:	$595,436 per year $477.11 per arrival from or departure to Salt Lake City [1]
	Moab:	$674,804 per year $540.71 per arrival from or departure to Salt Lake City [2]
		These rates assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revisions of these rates may be required.
Weekly Ceiling:	Vernal: $11,450.64 [3] Moab: $12,977.04[4]	

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1 Annual compensation of $595,436, divided by the number of arrivals and departures estimated to be performed annually (1,248), calculated by multiplying 24 arrivals and departures each week by 52 weeks,

2 Annual compensation of $674,804, divided by the number of arrivals and departures estimated to be performed annually (1,248), calculated by multiplying 24 arrivals and departures each week by 52 weeks.

3 The subsidy rate for each arrival/departure ($477.11) multiplied by the number of scheduled subsidy-eligible flights per week (24).

4 The subsidy rate for each arrival/departure ($540.71) multiplied by the number of scheduled subsidy-eligible flights per week (24).

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parities to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Appendix D

MOUNTAIN BIRD, INC., D/B/A SALMON AIR
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
VERNAL AND MOAB, UTAH
CALCULATION OF SUBSIDY REQUIREMENT

	VERNAL	MOAB
Passengers	3,000	2,200
Average Fare	$70	$90
Passenger Revenue	$210,000	$198,000
Freight Revenue	15,600	15,600
Total Revenue	$225,600	$213,600
Block Hours	1,457	1,648
Flight Hours	1,270	1,439
Departures	1,248	1,248
RPM's	519,000	431,200
ASM's	1,727,232	1,956,864
FLT. OPS. @ $110.23/BH	$160,598	$181,659
FLT. OPS. @ $51.01/FH	64,783	73,403
Fuel & Oil @ $105.91/BH	154,311	174,540
Hull Insurance @ $625/mo.	7,500	7,500
Maintenance @ $78.19/FH.	99,301	113,551
Aircraft Lease @ $3,000/mo.	36,000	36,000
Total Direct Expenses	$522,493	$586,653
Vernal/Moab Expenses	$104,096	$104,096
Salt Lake City Expenses	115,350	115,350
Administration	40,000	40,000
Total Indirect Expenses	$259,446	$259,446
Total Operating Expenses	$781,939	$846,099
Return @ 5%	39,097	42,305
Total Operating Cost	$821,036	$888,404
Total Subsidy	$595,436	$674,804
Subsidy per forecast passenger	$198.48	$306.73